

VILLAGE OF BELLAIRE
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FEBRUARY 28, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF BELLAIRE	County ANTRIM
Fiscal Year End 02/28/06	Opinion Date 03/29/06	Date Audit Report Submitted to State 05/24/06	

We affirm that:

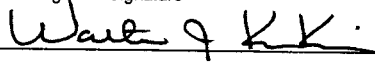
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|-------------------------------------|--------------------------|--|
| YES | NO | Check each applicable box below. (See instructions for further detail.) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. ☒ ☐ The local unit has adopted a budget for all required funds.
 5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. ☒ ☐ The local unit is free of repeated comments from previous years.
 12. ☒ ☐ The audit opinion is UNQUALIFIED.
 13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KESKINE, COOK, MILLER & ALEXANDER		Telephone Number (989) 732-7990	
Street Address 100 WEST FIRST STREET		City GAYLORD	State MI
		Zip 49735	
Authorizing CPA Signature 		Printed Name WALT KESKINE, CPA	License Number A 266342

Village Officials

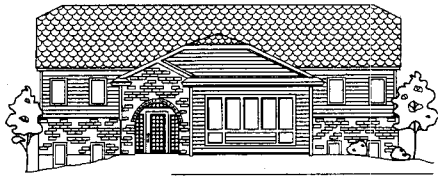
President	John Hanson
President Pro-tem	Dennis Balon
Treasurer / Deputy Clerk	Catherine Odom
Chief of Police	Brad Rowe
Street Administrator	Kenneth M. Stead
Council Executive / Clerk	Janet Person
Beautification Commission Administrator	Patricia Drollinger

Trustees

Dennis Balon
James Baker
Eugene Dewey
Helen Schuckel
Patricia Drollinger
Bob Rodriguez

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
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Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

March 29, 2006

To the President and Members of the Village
Council of the Village of Bellaire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-7 and budgetary comparison information on pages 37-42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2006, on our consideration of the Village of Bellaire's compliance and internal control over financial reporting.

 K. K. Cook

Keskine, Cook, Miller & Alexander, LLP
Certified Public Accountants



Village of Bellaire

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**VILLAGE OF BELLAIRE
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED FEBRUARY 28, 2006**

This section of the Village of Bellaire's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 28, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Assets at February 28, 2006 totaled approximately \$2,243,000 for governmental activities and \$3,400,000 for business-type activities. Of these totals, approximately \$1,270,000 and 2,670,000, respectively, represent capital assets net of depreciation. Overall, assets decreased by less than 1% from the prior year.

Overall revenues were approximately \$1,280,000 (\$775,000 from governmental activities and \$505,000 from business-type activities). Overall expenses approximated \$1,175,000 (\$690,000 for governmental activities and \$485,000 for business-type activities).

The tax base increased by approximately 5%.

The Village incurred no new debt instrument during the year and purchased approximately \$165,000 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, management discussion & analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village.

The first two statements are Village wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities and/or business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

Most of the activities of the Village are reported as governmental activities. These would include the general fund, cemetery fund, parks, major streets, local streets, public safety fund and the motor pool fund. Some activities such as the water and sewer funds are treated as business activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Village has the following types of funds:

Governmental Funds: Most of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include: General, Law Enforcement, Major Street, Local Street, Soccer Park, Various Debt Service Funds and Cemetery.

Proprietary Funds: These funds represent activities in the government which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Village's government-wide statements and fund statements presentation. The Village's proprietary funds include: Water, Sewer and Internal Service.

FUND FINANCIAL STATEMENTS (CONTINUED)

Fiduciary Funds: The Village is a trustee or fiduciary for assets that belong to others. The Village maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belong. These activities do not appear in the Village's government-wide financial statements since the assets do not belong to the Village. The Village maintains a Cemetery Perpetual Care fund in this category.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Assets: The Village's combined net assets increased approximately \$50,000 during the year ended February 28, 2006 totaling \$3,470,301.

Governmental Activities: The net assets for governmental activities increased approximately \$84,000, due largely to grants received from the State of Michigan for an extension of the Village walking path, grants received from local Rotary & the Rotary Charities of Traverse City for a concession stand/bathhouse at the Village soccer park and an increase in property tax revenues as a result of the increased tax base.

Business Type Activities: The net assets for business-type activities increased approximately \$22,000. The increase can be attributed to an increase in charges for services resulting from an increase in water and sewer rates and a reduction in operating expenses of approximately 6%.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

General Fund: This fund is used to record all activities of the Village not required to be recorded in a separate fund. This would include parks, zoning, dam, building and grounds, legislative, administrative, and elections. The major source of revenue for the general fund is from the Village tax base, the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Village.

Major Streets: This fund is used to record revenues and expenses for major (state-owned) streets located within the Village. The major source of revenue comes from the State of Michigan in the form of transportation taxes and grants for snow removal. The major expense for this fund is equipment rental for snow removal and street repair.

Local Streets: This fund is used to record revenues and expenses for local (Village-owned) streets. Local street revenue comes from property taxes and from the state in the form of grants for snow removal and from gas and weight taxes. This fund also records contributions from area Townships for repairing or paving local streets. During the year ended February 28, 2005, the Village constructed a municipal parking lot in the downtown area.

Public Safety Fund: The public safety fund is used to record police department activities. Its major source of revenue comes from the general fund. The expenses incurred are for operational costs.

Soccer Park: This fund is used to record the grant activity and public contributions related to capital improvements planned for the Village's Soccer Park.

Cemetery Fund: The major source of revenue is from the sale of cemetery plots and openings for burials. The expenses incurred are for maintenance.

Sewer Fund: The sewer fund records all activities of the Village's wastewater treatment system. The major source of revenue is from user charges, and the major expense is the operation and maintenance of the sewer system.

Water Fund: This fund is used to record revenues and expenses for the Village water system. The revenues come from user charges and the expenses are incurred for operation and maintenance.

Internal Service: This is used to record the operation by the Department of Public Works. The primary source of revenue comes from equipment rental fees charged to the other funds of the Village. The primary expenses are accrued from the operations and maintenance of equipment.

Bellaire Building Authority Debt Service: This fund collected lease revenue from the general fund and satisfied the debt service requirements of the Craven Dam Bond.

2004 Water Upgrade Debt Service: This fund satisfies the debt requirements of the Water Upgrade Bond issued in the current year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

Additions to Village's capital assets for this year includes the construction of a walking path (\$24,438), the repaving of Cayuga Street (\$25,866), the repair of the railroad bridge walking path (\$17,638), a new boiler for the Village Hall (\$5,939), a water meter upgrade (\$28,830), and a new 2006 F-550 truck for public works (\$40,762).

Long Term Debt:


- ◆ Sewer Revenue Bond: The Revenue Bond payments for this fiscal year totaled \$70,620 (\$35,000 principal and \$35,620 interest).
- ◆ Sewer General Obligation Bond: The bond payments for this fiscal year totaled \$65,665 (\$25,000 principal and \$40,665 interest).
- ◆ Local Streets Installment Loan: This was for the purchase of land for the municipal parking lot. The Village paid \$23,673 in loan payments for the fiscal year (\$15,786 principal and \$7,887 interest).
- ◆ Bellaire Building Authority Bond: The bond payments made this fiscal year for the restoration of Craven Dam totaled \$17,260 (\$10,000 principal and 7,260 interest).
- ◆ Water Upgrade Capital Improvement Bond: The Village paid \$5,920 in loan payments for the fiscal year (\$4,000 principal and \$1,920 interest).
- ◆ Inter-fund Loan to Local Street from General Fund: The Local Street Fund paid the General Fund \$11,655 (\$7,155 principal and \$4,500 interest) for re-payment of an inter-fund loan.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Village will proceed with the construction of a new well and in conjunction with the American Youth Soccer Association of Bellaire, the construction of a new concession stand/bathhouse. We are also applying for a recreation grant that will provide funding for a potential boardwalk along the river by Richardi Park. We are also working on obtaining revenue for sludge removal of the Village sewer ponds.

CONTACTING VILLAGE MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact Cathy Odom, Village Clerk or John Hanson, Village President at 202 N. Bridge St., P.O. Box 557, Bellaire, MI 49615 or by calling 231-533-8213 during the hours of 8:30 AM to 4:00 PM.



John Hanson, Village President



Dennis Balon, Village President Pro-Tem



Cathy Odom, Village Deputy Clerk/Treas.

**VILLAGE OF BELLAIRE
STATEMENT OF NET ASSETS
FEBRUARY 28, 2006**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 706,375	\$ 609,588	\$ 1,315,963
Investments	48,271	108,731	157,002
Accounts receivable	94,765	44,757	139,522
Inventory	2,408	-	2,408
Internal balances	41,002	(41,002)	-
Inter-fund loan	82,844	-	82,844
Capital assets, net	1,272,422	2,669,986	3,942,408
	<hr/>	<hr/>	<hr/>
Total assets	2,248,087	3,392,060	5,640,147
LIABILITIES			
Accounts payable	16,894	4,578	21,472
Accrued interest payable	9,375	15,594	24,969
Deferred revenue	26,023	-	26,023
Due to motor pool	-	104	104
Long-term liabilities:			
Due in one year:			
Long-term debt	14,000	60,000	74,000
Inter-fund loan	7,513	-	7,513
Due in more than one year:			
Long-term debt	319,497	1,510,000	1,829,497
Inter-fund loan	75,331	-	75,331
	<hr/>	<hr/>	<hr/>
Total liabilities	468,633	1,590,276	2,058,909
NET ASSETS			
Invested in capital assets, net of related debt	856,080	1,099,986	1,956,066
Restricted for:	-	-	-
Streets and sidewalks	223,367	-	223,367
Public safety	35,586	-	35,586
Debt service	25,034	153,896	178,930
Other	6,023	-	6,023
Unrestricted	633,364	547,902	1,181,266
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 1,779,454	\$ 1,801,784	\$ 3,581,238
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See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006**

	P R O G R A M R E V E N U E S			N E T (E X P E N S E) R E V E N U E A N D		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES						
General administration	\$ 96,177	\$ -	\$ 6,500	\$ (89,677)	\$ -	\$ (89,677)
Elections	1,418	-	-	(1,418)	-	(1,418)
Street and sidewalk maintenance	172,103	14,500	117,124	(40,479)	-	(40,479)
Village hall	65,693	-	-	(65,693)	-	(65,693)
Parks	91,185	14,173	-	(74,357)	-	(74,357)
Dam	2,398	-	2,655	(2,398)	-	(2,398)
Zoning	48,923	3,404	-	(45,519)	-	(45,519)
Law enforcement	168,030	8,891	3,454	(155,685)	-	(155,685)
Cemetery	24,809	5,612	8,623	(10,574)	-	(10,574)
Interest on long-term debt	21,567	-	-	(21,567)	-	(21,567)
Total governmental activities	692,303	46,580	135,701	(507,367)	-	(507,367)
BUSINESS-TYPE ACTIVITIES						
Sewer	273,337	253,109	-	-	(20,228)	(20,228)
Water	134,299	137,870	-	-	3,571	3,571
Interest on long-term debt	75,776	-	-	-	(75,776)	(75,776)
Total business-type activities	483,412	390,979	-	-	(92,433)	(92,433)
Total government	1,175,715	437,559	135,701	(507,367)	(92,433)	(599,800)
GENERAL REVENUES						
Property Taxes:						
Levied for General Purposes				332,440	-	284,495
Levied for Local Street Maintenance				103,482	-	72,290
Levied for Debt Service				-	73,915	72,290
Property Tax Administration Fee				5,092	-	4,287
State Shared Revenue (not restricted to specific purposes)				114,566	-	148,182
Refunds and Rebates				4,694	10,033	15,966
Investment Earnings				25,390	15,505	54,429
Miscellaneous				25,137	483	25,620
TRANSFERS				(14,080)	14,080	-
TOTAL GENERAL REVENUES AND TRANSFERS				596,721	114,016	710,737
CHANGE IN NET ASSETS				89,354	21,583	110,937
NET ASSETS - BEGINNING OF YEAR				1,690,100	1,780,201	3,470,301
NET ASSETS - END OF YEAR				\$ 1,779,454	\$ 1,801,784	\$ 3,581,238

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2006**

	<u>MAJOR GOVERNMENTAL FUNDS</u>				NON-MAJOR GOVERN- MENTAL FUNDS	TOTAL
	GENERAL	PUBLIC SAFETY	MAJOR STREET	LOCAL STREET		
ASSETS						
Cash	\$ 362,551	\$ 29,153	\$ 104,969	\$ 66,681	\$ 52,604	\$ 615,958
Investments	-	7,000	10,266	28,980	2,025	48,271
Accounts receivable:						
Due from state	19,496	-	19,591	11,613	-	50,700
Due from county	-	-	14,500	-	-	14,500
Due from other governmental funds	47,339	-	-	-	-	47,339
Due from other funds	41,002	-	-	-	-	41,002
Lease and interest receivable	-	-	-	-	157,842	157,842
Other	-	-	-	-	14,940	14,940
Total assets	\$ 470,388	\$ 36,153	\$ 149,326	\$ 107,274	\$ 227,411	\$ 990,552
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	\$ 3,541	\$ 567	\$ 5,628	\$ 2,449	\$ 8	\$ 12,193
Deferred revenue	6,023	-	-	-	20,000	26,023
Deferred lease and interest payments	-	-	-	-	157,842	157,842
Due to other governmental funds	-	-	12,551	12,605	22,183	47,339
Total liabilities	9,564	567	18,179	15,054	200,033	243,397
Fund Equity						
Fund balance:						
Undesignated and unreserved	454,801	-	-	-	2,344	457,145
Reserved for:						
Public safety	-	35,586	-	-	-	35,586
Streets and sidewalks	-	-	131,147	92,220	-	223,367
Other	6,023	-	-	-	25,034	31,057
Total fund equity	460,824	35,586	131,147	92,220	27,378	747,155
Total liabilities and fund equity	\$ 470,388	\$ 36,153	\$ 149,326	\$ 107,274	\$ 227,411	\$ 990,552

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2006**

Total Fund Balance - Governmental Activities (Per Balance Sheet - Page 10)	\$ 747,155
Amounts reported for governmental activities in the Statement of Net Assets (page 8) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	1,079,553
Receivables reported in the statement of activities that do not provide current financial resources are not reported as receivables in the governmental funds	6,532
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and therefore are not reported in the funds	(333,497)
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds	(9,375)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets	289,086
Total Net Assets - Governmental Activities (Per Statement of Net Assets - Page 8)	\$ 1,779,454

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED FEBRUARY 28, 2006

	<u>MAJOR GOVERNMENTAL FUNDS</u>				NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
REVENUES	GENERAL	PUBLIC SAFETY	MAJOR STREET	LOCAL STREET		
\$	\$	\$	\$	\$	\$	\$
Taxes and assessments	332,438	-	-	103,482	-	435,920
Federal grants	7,155	-	-	-	-	7,155
State grants	114,566	3,454	72,850	37,119	-	227,989
Local grants	32,057	-	-	-	-	32,057
Charges for services	22,589	8,891	14,500	-	3,211	35,268
Interest income	16,596	-	3,235	-	5,612	51,592
Other	11,840	136	-	2,898	2,661	25,390
Total revenues	537,241	12,481	90,585	144,450	20,145	33,072
EXPENDITURES					31,629	816,386
General government						
Parks	181,144	-	-	-	-	181,144
Zoning	107,096	-	-	-	-	108,796
Craven dam	48,923	-	-	-	1,700	48,923
Street maintenance	3,133	-	-	-	-	21,743
Public safety	-	-	101,326	83,687	18,610	185,013
Cemetery	-	159,696	-	-	-	159,696
Debt service:	-	-	-	-	-	23,417
Principal	-	-	-	-	-	-
Interest	-	-	-	22,941	4,000	26,941
Total expenditures	340,296	159,696	101,326	119,015	1,920	14,307
Excess (deficiency) of revenues over expenditures	196,945	(147,215)	(10,741)	25,435	49,647	769,980
OTHER FINANCING SOURCES (USES)					(18,018)	46,406
Transfers in	-	160,000	-	-	15,920	175,920
Transfers out	(170,000)	-	-	-	(20,000)	(190,000)
Total other financing sources (uses)	(170,000)	160,000	-	-	(4,080)	(14,080)
Excess (deficiency) of revenues and other sources over expenditures and other uses	26,945	12,785	(10,741)	25,435	(22,098)	32,326
Fund balance - beginning of year	433,879	22,801	141,888	66,785	49,476	714,829
Fund balance - end of year	\$ 460,824	\$ 35,586	\$ 131,147	\$ 92,220	\$ 27,378	\$ 747,155

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

Net Change in Fund Balances - Total Governmental Funds -		
Page 12	\$	32,326
Amounts reported for governmental activities in the statement of activities (page 9) are different because:		
Contributions from other governments is recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year-end		6,532
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives		82,605
Depreciation expense, recorded in the statement of activities but not the governmental fund financial statements		(70,561)
Internal service funds are used by management of charge the costs of equipment services to individual funds. Net revenue of the internal service fund is reported within governmental activities		14,661
Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide financial statements, long term debt is recorded and debt service payments are applied against the outstanding balances.		29,250
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes accrued interest expense		(5,459)
Change in Net Assets - Governmental Activities - Per Statement of Activities (Page 9)	\$	89,354

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
ASSETS				
Current assets:				
Cash	\$ 507,277	\$ 102,311	\$ 609,588	\$ 90,417
Investments	108,731	-	108,731	-
Due from other funds	28,830	-	28,830	104
Accounts receivable	31,723	13,034	44,757	7,989
Inventory	-	-	-	2,408
Total current assets	676,561	115,345	791,906	100,918
Noncurrent assets - Capital assets, net	2,333,839	336,147	2,669,986	192,869
Total assets	3,010,400	451,492	3,461,892	293,787
LIABILITIES				
Current liabilities:				
Accrued liabilities	15,594	-	15,594	-
Accounts payable	2,452	2,126	4,578	4,701
Due to other governmental funds	41,002	28,830	69,832	-
Current portion of bonds payable	60,000	-	60,000	-
Total current liabilities	119,048	30,956	150,004	4,701
Noncurrent liabilities:				
Bonds payable, net of current portion	1,510,000	-	1,510,000	-
Total liabilities	1,629,048	30,956	1,660,004	4,701
NET ASSETS				
Invested in capital assets, net of related debt	763,839	336,147	1,099,986	-
Restricted for debt service	153,896	-	153,896	-
Unrestricted	463,513	84,389	547,902	289,086
Total net assets	\$ 1,381,248	\$ 420,536	\$ 1,801,784	\$ 289,086

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
Operating revenues				
Charges for services	\$ 253,109	\$ 135,071	\$ 388,180	\$ 106,378
Taxes and assessments	73,915	-	73,915	-
State grants	-	-	-	-
Other	657	12,658	13,315	7,317
Total operating revenues	327,681	147,729	475,410	113,695
Operating expenses				
Wages and fringe benefits	102,300	67,967	170,267	39,610
Contractual services	-	5,136	5,136	-
Insurance	4,329	1,202	5,531	15,339
Equipment rental	5,250	11,952	17,202	-
Supplies	16,308	1,604	17,912	22,987
Repairs and maintenance	20,082	15,155	35,237	15,414
Utilities	22,199	10,170	32,369	8,823
Depreciation	97,240	16,526	113,766	24,705
Miscellaneous	5,629	4,587	10,216	2,119
Total operating expenses	273,337	134,299	407,636	128,997
Operating income	54,344	13,430	67,774	(15,302)
Non-operating revenues (expenses)				
Interest income	15,505	-	15,505	641
Interest expense	(75,776)	-	(75,776)	-
Income - before other financing sources (uses)	5,927	(13,430)	(7,503)	14,661
Other financing sources (uses)				
Transfers in	-	20,000	20,000	-
Transfers out	-	(5,920)	(5,920)	-
Total other financing sources (uses)	-	14,080	14,080	-
Change in net assets	(5,927)	27,510	21,583	(14,661)
Total net assets - beginning of year	1,387,175	393,026	1,780,201	303,747
Total net assets - end of year	\$ 1,381,248	\$ 420,536	\$ 1,801,784	\$ 289,086

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2006**

	Enterprise Funds			INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
Cash flows from operating activities:				
Cash received from customers	\$ 249,367	\$ 128,620	\$ 377,987	\$ 106,378
Cash received from property tax levy	73,915	-	73,915	-
Cash payments to suppliers for goods and services	(71,584)	(26,937)	(98,521)	(68,190)
Cash payments to employees and professional contractors for services	(104,050)	(65,103)	(169,153)	(40,610)
Payments for internal services	(5,250)	(11,952)	(17,202)	-
Internal services - receipts from other funds	-	14,080	14,080	-
Other operating revenues	657	1,450	2,107	7,317
Net cash provided by operating activities	<u>143,055</u>	<u>40,158</u>	<u>183,213</u>	<u>4,895</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,251)	(25,412)	(27,663)	(40,762)
Principal paid on bonds	(85,000)	-	(85,000)	-
Interest paid on bonds	(76,285)	-	(76,285)	-
Net cash used in capital and related financing activities	<u>(163,536)</u>	<u>(25,412)</u>	<u>(188,948)</u>	<u>(40,762)</u>
Cash flows from investing activities:				
Purchase of investments	(7,447)	-	(7,447)	-
Proceeds from the sale of investments	-	-	-	48,976
Investment income	15,506	-	15,506	512
Net cash provided by investing activities	<u>8,059</u>	<u>-</u>	<u>8,059</u>	<u>49,488</u>
Net increase (decrease) in cash and cash equivalents	(12,422)	14,746	2,324	13,621
Cash and cash equivalents - beginning of year	519,699	87,565	607,264	76,796
Cash and cash equivalents - end of year	<u>\$ 507,277</u>	<u>\$ 102,311</u>	<u>\$ 609,588</u>	<u>\$ 90,417</u>
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 54,344	\$ 13,430	\$ 67,774	\$ (15,302)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation expense	97,240	16,526	113,766	24,705
Changes in assets and liabilities:				
Receivables	(3,743)	155	(3,588)	(7,989)
Due from / to other funds	(5,514)	28,830	23,316	(104)
Inventory	-	-	-	(51)
Accounts payable	1,133	(18,783)	(17,650)	3,636
Accrued liabilities	(405)	-	(405)	-
Net cash provided by operating activities	<u>\$ 143,055</u>	<u>\$ 40,158</u>	<u>\$ 183,213</u>	<u>\$ 4,895</u>

See accompanying notes to financial statements

**VILLAGE OF BELLAIRE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FEBRUARY 28, 2006**

	CEMETERY PERPETUAL CARE
ASSETS	
Cash	\$ 8,174
Investments	84,668
	<hr/>
Total Assets	92,842
 LIABILITIES	
Due to other governmental funds	5,073
	<hr/>
 NET ASSETS	
Net Assets Held in Trust for Cemetery Perpetual Care	\$ 87,769
	<hr/> <hr/>

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 1: ENTITY

The Village of Bellaire is a General Law Village of the State of Michigan organized in 1879, located in Antrim County, Michigan. Its physical boundaries incorporate parts of Forest Home and Kearney Townships.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Village of Bellaire.

BELLAIRE DISTRICT FIRE DEPARTMENT

These statements do not include activities of the Bellaire District Fire Department since the Village has no financial or oversight responsibility.

BELLAIRE BUILDING AUTHORITY

In June 2001, the Bellaire Building Authority was created under the provisions of Public Act 31 of 1948. The purpose of the Authority is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites for the use of the Village of Bellaire. Although it is legally separate from the Village, the Building Authority is reported as if it were a part of the primary government because its sole purpose is to serve the Village of Bellaire.

The financial activity of the Building Authority is reported in a capital projects and debt service fund within the Village's financial statements. The Building Authority is also audited under separate cover, and the financial statements are located at the Village offices.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Village of Bellaire are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Village's financial activities.

The accounting policies of the Village of Bellaire conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Village as a whole, excluding fiduciary activities such as cemetery perpetual care activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Village reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Public Safety Fund – This fund is used to account for all financial transactions of the Village's police department. The activities of the police department are financed primarily by transfers of resources from the General Fund.

Major Street Fund – This fund is used to account for all financial transactions related to the Village's "major" (state-owned) streets. Revenues are derived primarily from state grants.

Local Street Fund – This fund is used to account for all financial transactions related to the Village's local streets. Revenues are derived primarily from property taxes and state grants.

The Village reports, in total, the following non-major funds:

Cemetery and Soccer Park special revenue funds, and Bellaire Building Authority and Water Upgrade debt service funds.

Proprietary Funds

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Water and sewer funds are reported in this category.

The Village reports the following major enterprise funds:

Proprietary Funds

Water Fund – This fund is used to account for all financial transactions of the Village's Water Utility services. Revenues are derived primarily from user charges.

Sewer Fund - This fund is used to account for all financial transactions of the Village's Sewer Utility services. Revenues are derived primarily from user charges.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Cemetery perpetual care activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

Internal Service Funds – account for equipment provided by one department to other departments within the Village on a cost-reimbursement basis. These are proprietary

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

funds reported with governmental activities in the government-wide statements. The Village's motor pool fund is an internal service fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15; uncollected amounts are subsequently added to the county delinquent tax rolls. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Village records the property tax revenue on the lien date when it becomes an enforceable legal claim for the Village. Therefore, all taxes levied on July 1, 2005, are recorded as revenue in the current year.

Property taxes were levied as follows for the year ended February 28, 2006:

General	11.2438 mills
Local Street	3.5000 mills
Sewer G.O. Bond	2.5000 mills

Proprietary Fund Financial Statements

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The approved budgets of the Village for budgetary funds were adopted on a fund level using the modified accrual basis. Budgets are normally formulated during December and January of each year and a budget hearing is held in February.

The council normally adopts the budget just prior to March 1. Amendments are made to the budgets when determined to be necessary throughout the year. We noted overexpenditures for the year ended February 28, 2006 as follows:

Major Street	\$ 1,951
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Budgets are not required for the proprietary, fiduciary, and debt service fund types.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

INVENTORY

Inventory for street materials have been recorded at cost.

CAPITAL ASSETS AND DEPRECIATION

The Villages property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 – 50
Improvements, other than buildings	2 – 50
Mobile equipment	3 – 30
Furniture, machinery, and equipment	3 – 30

For information describing capital assets, see Note 6.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS (CONTINUED)**

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

NOTE 3: CASH AND INVESTMENTS

The Village of Bellaire uses a common banking account to pool various cash funds and enhance investment earnings. The various fund's equity at February 28, 2006 are as follows:

	Common Checking
General Fund	\$ 362,415
Water Fund	102,310
Motor Pool Internal Service Fund	90,416
Public Safety Fund	29,153
	<u>\$ 584,294</u>

Interfund borrowings are common and normally short-term in nature. Certificates of deposit are cashed if necessary to eliminate negative balances.

Cash consists of bank accounts or securities with original maturities of 90 days or less.

All cash deposits are maintained in financial institutions in the Bellaire, Michigan area. The Village's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Village at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Village or by its agent in the Village's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uncollateralized.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

	BANK BALANCE	1	CATEGORY 2	3	CARRYING AMOUNT
Pooled Deposits	\$ 611,613	\$ 100,000	\$ -	\$ 511,613	\$ 584,294
Local Street	143,040	-	-	143,040	66,681
Major Street	169,431	-	-	169,431	104,969
Sewer	587,524	-	-	587,524	353,381
Sewer-Bond Red.	153,896	-	-	153,896	153,896
Cemetery	14,001	-	-	14,001	6,614
Building Authority	1,034	1,034	-	-	1,034
04 Water Upgrade	24,000	-	-	24,000	24,000
Soccer Park	20,955	-	-	20,955	20,995
Petty Cash	-	-	-	-	100
Subtotal	1,725,494	101,034	-	1,624,460	1,315,964
Perpetual Care	8,173	-	-	8,173	8,173
Total Cash Deposits	<u>\$ 1,733,667</u>	<u>\$ 101,034</u>	<u>\$ -</u>	<u>\$ 1,632,633</u>	<u>\$ 1,324,137</u>

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's investments are as follows:

- (1) Insured or securities held by the Village or the Village's agent in the Village's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Village's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Village's name.

Investments are stated at cost, which approximates fair market value. Investments consist of securities with original maturities in excess of 90 days. Balances at February 28, 2006, consist of the following:

	1	CATEGORY 2	3	CARRYING AMOUNT
Sewer	\$ -	\$ 108,731	\$ -	\$ 108,731
Local Street	-	28,980	-	28,980
Law Enforcement	-	7,000	-	7,000
Cemetery	-	2,025	-	2,025
Major Street	-	10,266	-	10,266
Subtotal	-	157,002	-	157,002
Perpetual Care	-	84,668	-	84,668
Total Investments	<u>\$ -</u>	<u>\$ 241,670</u>	<u>\$ -</u>	<u>\$ 241,670</u>

The Village's investing is performed in accordance with investment policies complying with state statutes.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006

NOTE 4: RECEIVABLES

Governmental Funds - Accounts receivable at February 28, 2006 consist of the following:

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>NON MAJOR FUNDS</u>
State of Michigan	\$ 19,495	\$ 19,591	\$ 11,613	\$ -
County Reimbursements	-	14,500	-	-
Other		-	-	14,940
	<u>\$ 19,495</u>	<u>\$ 34,091</u>	<u>\$ 11,613</u>	<u>\$ 14,940</u>

Proprietary funds - Accounts receivable at February 25, 2006, in the Enterprise funds consist of the following:

	<u>SEWER</u>	<u>WATER</u>
Unbilled usage 1/15 - 2/15	\$ 18,229	\$ 9,131
Unbilled usage 2/16 - 2/28	13,494	3,903
	<u>\$ 31,723</u>	<u>\$ 13,034</u>

Management considers all receivables to be fully collectible.

NOTE 5: DUE TO / FROM OTHER FUNDS

The amount of short-term governmental interfund receivables and payable are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ 47,339	Cemetery	\$ 22,183
		Major Street	12,551
		Local Street	12,605
	<u>\$ 47,339</u>		<u>\$ 47,339</u>

These Interfund receivables are short-term in nature and no interest is charged on the above amounts. Above amounts are the result of fringe benefit allocations and other activity at February 28, 2006.

GASB 34 requires that all short-term interfund receivables and payables are eliminated within each activity type for purposes of the government-wide financial statements. Therefore, the only short-term due to/due from balances presented on the Statement of Net Assets is the due to / from between the governmental and business-type activities as follows: \$41,002 due to the general fund from the sewer fund.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 5: DUE TO / FROM OTHER FUNDS (CONTINUED)

The amount of long-term interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	<u>\$ 82,844</u>	Local Street	<u>\$ 82,844</u>

The long-term receivable and payable is the result of two inter-fund loans from the General Fund to Local Streets. The loans are repayable as follows:

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
7/1/2004	\$ 40,000	5.00%	7/1/2006	\$ 3,339	\$ 1,841
			7/1/2007	3,506	1,674
			7/1/2008	3,681	1,499
			7/1/2009	3,866	1,315
			7/1/2010	4,059	1,121
			7/1/2011 - 7/1/2014	18,368	2,352
				<u>36,819</u>	<u>9,802</u>

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
10/1/2004	\$ 50,000	5.00%	10/1/2006	\$ 4,174	\$ 2,301
			10/1/2007	4,383	2,093
			10/1/2008	4,602	1,873
			10/1/2009	4,832	1,643
			10/1/2010	5,074	1,402
			10/1/2011 - 10/1/2014	22,960	2,940
				<u>\$ 46,025</u>	<u>\$ 12,252</u>

NOTE 6: LEASE AND INTEREST RECEIVABLE / DEFERRED LEASE AND INTEREST PAYMENTS

During the fiscal year ended February 28, 2003, the Village entered into a leasing agreement with the Bellaire Building Authority whereby the Village will make annual lease payments to the Authority in the amount of the debt service requirements for the Craven Dam bonds described in Note 9.

In the fund financial statements, which uses the modified accrual basis of accounting, the lease and interest receivable is recorded as an asset with a balance of \$157,842 at the fiscal year-end, offset by a deferred lease and interest payment balance of the same amount. In the government-wide Statement of Net Assets, the lease and interest receivable and the deferred lease and interest payments are eliminated.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006

NOTE 7: CAPITAL ASSETS

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance March 1, 2005	Additions	Disposals	Balance February 28, 2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 422,967	\$ -	\$ -	\$ 422,967
Construction in process	-	-	-	-
Subtotal	422,967	-	-	422,967
Capital assets being depreciated:				
Buildings	517,717	-	-	517,717
Land Improvements	92,382	2,270	-	94,652
Furniture and fixtures	331,170	-	14,446	316,724
Machinery and equipment	550,998	49,340	28,753	571,585
Infrastructure	71,543	71,758	-	143,301
Subtotal	1,563,810	123,368	43,199	1,643,979
Accumulated depreciation:				
Buildings	211,780	13,411	-	225,191
Land Improvements	834	4,670	-	5,504
Furniture and fixtures	162,573	17,616	12,494	167,695
Machinery and equipment	383,953	30,845	28,752	386,046
Infrastructure	6,070	4,019	-	10,089
Subtotal	765,210	70,561	41,246	794,525
Net capital assets being depreciated	798,600	52,807	1,953	849,454
Net capital assets	\$ 1,221,567	\$ 52,807	\$ 1,953	\$ 1,272,421
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 51,500	\$ -	\$ -	\$ 51,500
Capital assets being depreciated -				
Machinery and equipment:				
Sewer	38,513	2,251	-	40,764
Water	30,090	7,017	8,822	28,285
Utility Systems:				
Sewer	3,718,180	-	7,228	3,710,952
Water	496,891	33,049	-	529,940
Subtotal	4,283,674	42,317	16,050	4,309,941
Accumulated depreciation -				
Sewer	1,379,365	97,240	7,229	1,469,376
Water	213,801	16,526	8,248	222,079
Subtotal	1,593,166	113,766	15,477	1,691,455
Net capital assets being depreciated	2,690,508	(71,449)	573	2,618,486
Net capital assets	\$ 2,742,008	\$ (71,449)	\$ 573	\$ 2,669,986

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 7: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Village as follows:

Governmental Activities		Business-type Activities	
Village Administration	\$ 9,332	Water Utilities	\$ 16,526
Parks	20,678	Sewer Utilities	97,240
Dam	185	Total	<u>\$ 113,766</u>
Streets and Sidewalks	6,924		
Law Enforcement	8,334		
Cemetery	403		
Allocated Internal Service Fund	<u>24,705</u>		
Total	<u>\$70,561</u>		

NOTE 8: DEFERRED REVENUE

The Village has deferred revenue in the amount of \$26,023 related to unspent grant monies as of February 28, 2006 as follows:

State of Michigan Community Forestry Grant	\$ 5,000
Grand Traverse Band of Ottawa and Chippewa Indian's Gaming Division Path Grant	1,023
Traverse City Rotary Club Soccer Park Grant	10,000
Bellaire Rotary Club Soccer Park Grant	<u>10,000</u>
	<u>\$ 26,023</u>

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006

NOTE 9: LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended February 28, 2006:

Description and Purpose	Balance March 1, 2005	Issued	Retired	Balance February 28, 2006	Due Within One Year
<i>Governmental Activities</i>					
Major Governmental Funds					
Installment Loan	\$ 150,283	\$ -	\$ 15,786	\$ 134,497	\$ -
Non-major Governmental Fund					
Craven Dam Bond	165,000	-	10,000	155,000	10,000
Capital Improvement Bond	48,000	-	4,000	44,000	4,000
Total	<u>363,283</u>	<u>-</u>	<u>29,786</u>	<u>333,497</u>	<u>14,000</u>
<i>Business-type Activities</i>					
Major Enterprise Fund					
Sewer Revenue Bonds	720,000	-	35,000	685,000	35,000
Sewer G.O. Bonds	910,000	-	25,000	885,000	25,000
Total	<u>1,630,000</u>	<u>-</u>	<u>60,000</u>	<u>1,570,000</u>	<u>60,000</u>
Total Primary Government Long-term Debt	<u>\$ 1,993,283</u>	<u>\$ -</u>	<u>\$ 89,786</u>	<u>\$ 1,903,497</u>	<u>\$74,000</u>

Long-term debt as of February 28, 2006 consists of the following:

LOCAL STREET INSTALLMENT LOAN

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
12/3/2003	\$ 159,000	5.25%	9/15/2006	-	-
			9/15/2007	8,520	7,059
			9/15/2008	8,949	6,630
			9/15/2009	9,437	6,142
			9/15/2010	9,932	5,646
			9/15/2011 - 9/15/2015	58,037	17,103
			9/15/2016 - 9/15/2020	39,622	6,826
				<u>\$ 134,497</u>	<u>\$ 49,406</u>

Purpose of the Issue:

To defray the cost of purchasing a plot of land within the Village limits.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006

NOTE 9: LONG-TERM DEBT (CONTINUED)

***LIMITED FULL FAITH AND CREDIT GENERAL OBLIGATION CONTRACT OF
LEASE – CRAVEN DAM PROJECT***

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
10/17/2001	\$ 190,000	4.40%	10/1/2006	10,000	6,820
			10/1/2007	10,000	6,380
			10/1/2008	10,000	5,940
			10/1/2009	10,000	5,500
			10/1/2010	15,000	5,060
			10/1/2011 - 10/1/2015	80,000	15,400
			10/1/2016 - 10/1/2020	20,000	880
				<u>\$ 155,000</u>	<u>\$ 45,980</u>

Purpose of the Issue:

Defraying part of the cost of major repairs to Craven Dam. The debt was issued to the Bellaire Building Authority and the Village of Bellaire.

GENERAL FUND CAPITAL IMPROVEMENT BONDS

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
12/28/2004	\$ 48,000	4.00%	1/1/2007	4,000	1,760
			1/1/2008	4,000	1,600
			1/1/2009	4,000	1,440
			1/1/2010	5,000	1,280
			1/1/2011	5,000	1,080
			1/1/2012 - 1/1/2016	22,000	2,280
				<u>44,000</u>	<u>9,440</u>

Purpose of the Issue:

Upgrade various components of the Village's water line system to accommodate future development.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 9: LONG-TERM DEBT (CONTINUED)

***SANITARY SEWAGE DISPOSAL SYSTEM REVENUE AND REVENUE
REFUNDING BONDS, SERIES 1999***

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
11/16/1999	\$ 865,000	4.55%	1/1/2007	35,000	34,028
		4.60%	1/1/2008	35,000	32,418
		4.65%	1/1/2009	40,000	30,790
		4.70%	1/1/2010	40,000	28,910
		4.75%	1/1/2011	40,000	27,010
		4.80 - 5.00%	1/1/2012 - 1/1/2016	245,000	102,655
		5.05 - 5.25%	1/1/2017 - 1/1/2021	250,000	33,825
				<u>\$ 685,000</u>	<u>\$ 289,636</u>

Purpose of the Issue:

Defraying part of the cost of acquiring and constructing additions, extensions and improvements to the Village's sanitary sewage disposal system and to provide cash for the refunding of the Village's Sanitary Sewage Disposal System Revenue Bonds, Series 1972 and 1972B.

The bonds are payable solely and only from the net revenues of the sewer system. The Village has covenanted and agreed to fix and maintain at all times, while the bonds are still outstanding, such rates for services furnished by the sewer system that will be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the sewer system, of the principal and interest on all of said bonds when due, to create and maintain a bond reserve account, and to provide for other such expenditures and funds for the sewer system as required. The Village has covenanted to charge and collect sufficient rates and charges each year so as to produce net revenues equal to at least 110% of annual debt service on the bonds.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 9: LONG-TERM DEBT (CONTINUED)

***GENERAL OBLIGATION UNLIMITED TAX WASTEWATER REFUNDING BONDS
1998***

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
12/31/1998	\$ 1,065,000	3.95%	12/1/2006	25,000	39,690
		4.00%	12/1/2007	35,000	38,703
		4.10%	12/1/2008	35,000	37,303
		4.15%	12/1/2009	35,000	35,868
		4.20%	12/1/2010	35,000	34,415
		4.20 - 4.40%	12/1/2011 - 12/1/2015	205,000	147,295
		4.45 - 4.60%	12/1/2016 - 12/1/2020	200,000	101,945
		4.65 - 4.70%	12/1/2021 - 12/1/2025	230,000	52,335
		4.70 - 4.80%	12/1/2026 - 12/1/2030	85,000	5,978
				<u>\$ 885,000</u>	<u>\$ 493,532</u>

This issue refinanced the General Obligation Wastewater System Improvement Series 1988. The bond is backed by the full faith and credit of the Village and is an unlimited tax general obligation bond.

Purpose of the Issue:

Paying part of the cost of making improvements to the sanitary sewer system of the Village consisting generally of a new treatments plant and discharge facilities together with lines, pumps and storage improvements and all related appurtenances.

As of February 28, 2006, the Village is in compliance with all material covenants.

INTEREST ON LONG-TERM DEBT

GASB Statement No. 34 requires interest to be accrued for the long-term debt of governmental activities for the purposes of the government-wide financial statements. Proprietary funds have always recorded accrued interest, as they are governed by FASB guidelines. The government-wide financial statements include the following accrued interest balances at February 28, 2006:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>
Accrued Interest	\$ 9,375	\$ 15,594

The fund financial statements do not recognize accrued interest for governmental activities.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 10: DESIGNATED/RESERVED/RESTRICTED FUND BALANCE/NET ASSETS

RESERVED/RESTRICTED FUND BALANCE

The sewer fund has reserved/restricted fund balance/net assets
for sewer improvement G.O. Bonds. 153,896

The Building Authority debt service fund has reserved/restricted
fund balance/net assets for the Craven Dam Project G.O. Bonds. 1,034

The 2004 Water Upgrade debt service fund has reserved/restricted
fund balance/net assets for the Water Upgrade Project Bonds 24,000

The fund balance of local street and major street funds are
reserved for future street and sidewalk repairs and construction 223,367

The fund balance of the public safety fund is reserved for
future public safety use 35,586

The general fund has reserved/restricted fund balance/net assets
related to unspent grant monies. 6,023
\$ 443,906

DESIGNATED FUND BALANCE

The fiduciary fund type designated amount is retained for
cemetery perpetual care. \$ 87,769

NOTE 11: PENSION PLAN

The Village of Bellaire contributes to the Village of Bellaire Pension Plan, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amounts of benefits the individual is to receive. Under the Village's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the date of hire, all full time employees are eligible to participate in the plan. Contributions made by both the Village and employees vest immediately. The participant will receive benefits at age 55 or the tenth anniversary of the date the participant commenced participation of the plan if later. There is no provision for early retirement.

The plan requires the Village to contribute 10% of the eligible employees wages. Additionally, each participant may make a contribution up to 10% of their salary.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 11: PENSION PLAN (CONTINUED)

During the year the Village contributed \$28,773 to the plan, which was 10% of its current year covered payroll. No pension provision changes occurred during the year that affected the required contributions to be made by the Village or its employees.

NOTE 12: SEGMENT INFORMATION - ENTERPRISE FUNDS

The water fund and sewer fund provide water and sewer services to Village residents and businesses. A synopsis of pertinent financial data is as follows:

	<u>WATER</u>	<u>SEWER</u>
Operating Revenue	\$ 147,729	\$ 327,681
Operating Expense	134,299	273,337
Depreciation	16,526	97,240
Operating Income (Loss)	13,430	54,344
Operating Transfers In/Out	14,080	-
Increase (Decrease) in Net Assets	27,510	54,344
Additions to Fixed Assets	40,066	2,251
Net Working Capital	102,311	507,277
Total Assets	451,492	3,010,400
Bonded Debt	-	1,510,000
Total Equity	420,536	1,381,248

NOTE 13: INSURANCE COVERAGES

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Village participated in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Village has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Village carries commercial insurance for other potential losses, including employee health and accident insurance.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 14: COMPARATIVE DATA

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the Village's financial operations. However, comparative data has not been presented in each of the statements.

NOTE 15: CONTINGENCIES

GRANTS

The Village and the Bellaire Building Authority have received grant monies from federal, state, and local sources. Grant monies are subject to audit by the grantor. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds, if any, are generally payable from the Village's unrestricted fund balance. The Village feels that any potential disallowances, if any, are immaterial.

NOTE 16: RELATED PARTY TRANSACTIONS

The Village's Council Executive / Clerk and Zoning Administrator also serves as the Administrator for the Antrim County Conservation District. During the year ended February 28, 2006, the Village expended \$16,823 on projects through the Antrim Conservation District.

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2005
GENERAL FUND
YEAR ENDED FEBRUARY 28, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
Taxes and assessments	\$ 323,000	\$ 323,000	\$ 332,438	\$ 9,438	\$ 322,837
State Shared Revenue	118,929	118,929	114,566	(4,363)	115,765
Local grants	39,200	41,200	32,057	(9,143)	28,958
Charges for Services:					
Permits and Fees	4,450	4,450	3,404	(1,046)	4,395
Property Tax Administration	5,000	5,000	5,092	92	4,929
Park Fees	20,750	20,750	14,093	(6,657)	17,550
Franchise Fees	-	-	-	-	6,696
Interest income	10,000	10,000	16,596	6,596	10,430
Interfund Loan Income	11,050	11,050	18,995	7,945	14,176
Total Revenues	532,379	534,379	537,241	2,862	525,736
EXPENDITURES					
GENERAL GOVERNMENT					
Village Council:					
Wages	16,000	16,000	13,455	2,545	13,650
Fringe Benefits	1,224	1,224	1,029	195	1,044
Office Supplies	-	-	-	-	10
Travel & Transportation	800	800	-	800	-
Total Village Council	18,024	18,024	14,484	3,540	14,704
General Administration:					
Wages	21,500	25,500	24,010	1,490	21,100
Fringe Benefits	44,000	63,326	15,558	47,768	15,375
Office Supplies	4,100	5,100	4,540	560	4,777
Communications	2,500	2,500	2,808	(308)	2,677
Rent	18,900	18,900	18,610	290	18,900
Tree Trimming	6,000	6,000	4,552	1,448	10,110
Equipment Rental	11,200	11,200	11,101	99	9,765
Professional Fees	9,000	10,000	9,120	880	8,357
Printing	1,500	1,500	696	804	1,155
Repair and Maintenance	1,000	1,000	267	733	651
Tax Roll	1,000	1,000	874	126	853
Insurance and Bonds	2,750	2,750	2,589	161	2,114
Dues and Subscriptions	1,500	1,500	1,144	356	1,191
Education and Training	1,000	1,000	498	502	90
Retirement-Pension	10,000	10,000	-	10,000	-
Miscellaneous Expense	4,750	6,250	2,399	3,851	1,974
Capital Outlay	500	500	-	500	-
Total General Administration	141,200	168,026	98,766	69,260	99,089
Election:					
Wages and Benefits	650	650	840	(190)	368
Supplies and Other	550	550	578	(28)	264
Total Election	\$ 1,200	\$ 1,200	\$ 1,418	\$ (218)	\$ 632

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2005
GENERAL FUND
YEAR ENDED FEBRUARY 28, 2006

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>	<u>PRIOR YEAR ACTUAL</u>
GENERAL GOVERNMENT					
(CONTINUED):					
Building and Grounds:					
Wages	\$ 2,000	\$ 3,000	\$ 2,340	\$ 660	\$ 2,683
Fringe Benefits	120	120	11,553	(11,433)	1,918
Repairs and Maintenance	31,700	31,700	21,021	10,679	7,997
Insurance	650	650	620	30	611
Utilities	5,300	5,300	5,518	(218)	5,743
Street Lights	20,000	20,000	18,391	1,609	20,491
Sidewalks	-	-	-	-	-
Miscellaneous Expense	1,750	1,750	1,094	656	1,579
Recycling	-	-	-	-	-
Capital Outlay	6,200	6,200	5,939	261	-
Total Building and Grounds	67,720	68,720	66,476	2,244	41,022
Total General Government	228,144	255,970	181,144	74,826	155,447
RECREATION AND CULTURE:					
Parks and Playgrounds:					
Wages	29,000	29,000	18,627	10,373	19,443
Fringes	13,000	13,000	12,247	753	14,167
Communications	650	650	757	(107)	858
Contractual Services	16,000	16,500	11,882	4,618	17,995
Insurance	3,000	3,000	2,912	88	2,874
Utilities	9,475	9,475	8,680	795	7,540
Repairs and Maintenance	11,000	39,000	24,121	14,879	11,255
Equipment Rental	12,500	12,500	12,101	399	11,020
Miscellaneous	2,150	2,150	1,304	846	1,978
Capital Outlay	6,717	15,217	14,465	752	19,983
Total Parks and Playgrounds	103,492	140,492	107,096	33,396	107,113
PUBLIC WORKS:					
Craven Dam:					
Wages	1,000	1,000	476	524	278
Fringe Benefits	300	300	298	2	202
Equipment Rental	500	500	-	500	8
Utilities	100	100	89	11	97
Repairs and Maintenance	1,500	1,500	-	1,500	-
Engineering	-	-	-	-	-
Capital Outlay	2,500	2,500	2,270	230	-
Operating Supplies/Other	-	-	-	-	-
Total Craven Dam	\$ 5,900	\$ 5,900	\$ 3,133	\$ 2,767	\$ 585

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2005
GENERAL FUND
YEAR ENDED FEBRUARY 28, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
ZONING					
Wages	\$ 22,300	\$ 27,684	\$ 27,335	\$ 349	\$ 26,846
Fringe Benefits	1,500	1,500	2,091	(591)	1,484
Office Supplies	2,700	2,700	1,576	1,124	641
Legal Fees	5,200	14,490	12,175	2,315	8,066
Printing & Publishing	1,100	1,100	470	630	624
Education & Training	3,000	3,000	1,329	1,671	985
Transportation & Travel	1,000	1,000	175	825	48
Miscellaneous Expense	3,550	4,550	3,772	778	6,383
TOTAL ZONING	40,350	56,024	48,923	7,101	45,077
Total Expenditures	377,886	458,386	340,296	118,090	308,222
Excess of Revenues over Expenditures	154,493	75,993	196,945	120,952	217,514
OTHER FINANCING SOURCES (USES)					
Operating transfers out	(160,000)	(170,000)	(170,000)	-	(169,392)
Loan to other funds	-	-	-	-	(90,000)
	(160,000)	(170,000)	(170,000)	-	(259,392)
Excess (deficiency) of revenues over expenditures and other uses	(5,507)	(94,007)	26,945	120,952	(41,878)
Fund balance - beginning of year	523,889	523,889	433,879	(90,010)	475,757
Fund balance - end of year	<u>\$ 518,382</u>	<u>\$ 429,882</u>	<u>\$ 460,824</u>	<u>\$ 30,942</u>	<u>\$ 433,879</u>

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2005
PUBLIC SAFETY FUND
YEAR ENDED FEBRUARY 28, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
State grants	\$ 3,200	\$ 3,200	\$ 3,454	\$ 254	\$ 3,387
Charges for services	8,140	8,140	8,891	751	10,975
Interest income	150	150	-	(150)	142
Miscellaneous	750	750	136	(614)	525
Total revenues	12,240	12,240	12,481	241	15,029
EXPENDITURES					
Wages	91,000	91,000	86,937	4,063	90,016
Fringe Benefits	60,412	60,412	49,589	10,823	57,191
Office Expense	3,310	3,310	5,361	(2,051)	3,860
Fuel	4,000	4,000	4,245	(245)	4,452
Professional Services	475	475	500	(25)	450
Telephone	800	800	922	(122)	838
Education	1,000	1,000	4,295	(3,295)	-
Capital Outlay	2,750	2,750	-	2,750	36,331
Insurance & Bonds	3,822	3,822	3,761	61	3,822
Miscellaneous	3,210	3,210	4,086	(876)	3,044
Total Expenditures	170,779	170,779	159,696	11,083	200,004
Excess (Deficiency) of Revenues over Expenditures	(158,539)	(158,539)	(147,215)	11,324	(184,975)
OTHER FINANCING SOURCES					
Transfers in	160,000	160,000	160,000	-	166,892
Excess (Deficiency) of Revenues and Other Sources over Expenditures	1,461	1,461	12,785	11,324	(18,083)
Fund Balance - Beginning of Year	22,801	22,801	22,801	-	40,884
Fund Balance - End of Year	\$ 24,262	\$ 24,262	\$ 35,586	\$ 11,324	\$ 22,801

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2005
MAJOR STREET FUND
YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
State grants	\$ 58,500	\$ 58,500	\$ 72,850	\$ 14,350	\$ 75,580
Other revenue	-	-	-	-	(3,886)
Charges for services	14,500	14,500	14,500	-	14,500
Interest income	2,000	2,000	3,235	1,235	2,177
Total revenues	75,000	75,000	90,585	15,585	96,143
EXPENDITURES					
Wages	19,200	19,200	17,143	2,057	14,462
Fringe benefits	11,000	11,000	11,270	(270)	9,853
Repair and maintenance	8,000	8,000	6,552	1,448	7,158
Professional services	550	550	500	50	900
Traffic control	2,750	2,750	3,073	(323)	804
Capital outlay	27,000	27,000	25,866	1,134	-
Equipment rental	30,000	30,000	35,724	(5,724)	28,302
Insurance and bonds	675	675	640	35	640
Miscellaneous	200	200	558	(358)	377
Total expenditures	99,375	99,375	101,326	(1,951)	62,496
Excess (deficiency) of revenues over (under) expenditures	(24,375)	(24,375)	(10,741)	13,634	33,647
OTHER FINANCING SOURCES					
Transfer in	24,375	24,375	-	24,375	-
Excess (deficiency) of revenue and other sources over (under) expenditures	-	-	(10,741)	(10,741)	(33,647)
Fund balance - beginning of year	141,888	141,888	141,888	-	108,241
Fund balance - end of year	\$ 141,888	\$ 141,888	\$ 131,147	\$ (10,741)	\$ 141,888

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2005
LOCAL STREET FUND
YEAR ENDED FEBRUARY 28, 2006

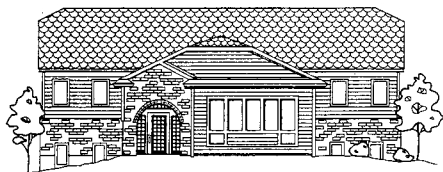
	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
Taxes and assessments	\$ 99,000	\$ 99,000	\$ 103,482	\$ 4,482	\$ 99,460
State grants	27,000	27,000	37,119	10,119	33,791
Local grants	-	-	-	-	10,000
Interest income	1,200	1,200	2,898	1,698	1,815
Other	950	950	951	1	979
Total revenues	128,150	128,150	144,450	16,300	146,045
EXPENDITURES					
Wages	23,200	23,200	18,256	4,944	17,596
Employers social security	12,500	12,500	12,003	497	11,987
Miscellaneous	1,300	1,300	898	402	524
Repair and maintenance	10,500	10,500	8,129	2,371	4,109
Professional services	2,050	2,050	500	1,550	3,530
Traffic control	1,500	1,500	-	1,500	49
Sidewalk construction	3,500	3,500	3,712	(212)	-
Capital outlay	2,000	2,000	3,816	(1,816)	88,536
Equipment rental	30,000	30,000	35,733	(5,733)	34,834
Insurance and bonds	700	700	640	60	640
Debt service:					
Bond principal	32,824	32,824	22,941	9,883	48,717
Bond interest	4,209	4,209	12,387	(8,178)	9,721
Total expenditures	124,283	124,283	119,015	5,268	220,243
Excess (deficiency) of revenues over expenditures	3,867	3,867	25,435	21,568	(74,198)
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	2,500
Proceeds from the issuance of debt	-	-	-	-	90,000
Total other financing sources	-	-	-	-	92,500
Excess of revenues and other sources over expenditures and other uses	3,867	3,867	25,435	21,568	18,302
Fund balance - beginning of year	66,785	66,785	66,785	-	48,483
Fund balance - end of year	\$ 70,652	\$ 70,652	\$ 92,220	\$ 21,568	\$ 66,785

**VILLAGE OF BELLAIRE
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
FEBRUARY 28, 2006**

	CEMETERY	BELLAIRE BUILDING AUTHORITY DEBT SERVICE	WATER UPGRADE DEBT SERVICE	SOCCER PARK	TOTAL
ASSETS					
Cash	\$ 6,615	\$ 1,034	\$ 24,000	\$ 20,955	\$ 52,604
Investments	2,025	-	-	-	2,025
Accounts receivable	14,940	-	-	-	14,940
Due from other governmental funds	-	-	-	-	-
Lease and interest receivable	-	157,842	-	-	157,842
Total assets	<u>\$ 23,580</u>	<u>\$ 158,876</u>	<u>\$ 24,000</u>	<u>\$ 20,955</u>	<u>\$ 227,411</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 8	\$ -	\$ -	\$ -	\$ 8
Due to other funds	22,183	-	-	-	22,183
Deferred income	-	-	-	20,000	20,000
Deferred lease and interest payments	-	157,842	-	-	157,842
Total liabilities	<u>22,191</u>	<u>157,842</u>	<u>-</u>	<u>20,000</u>	<u>200,033</u>
Fund Balances:					
Reserved for:					
Debt service	-	1,034	24,000	-	25,034
Unreserved	1,389	-	-	955	2,344
Total fund balance	<u>1,389</u>	<u>1,034</u>	<u>24,000</u>	<u>955</u>	<u>27,378</u>
Total liabilities and fund equity	<u>\$ 23,580</u>	<u>\$ 158,876</u>	<u>\$ 24,000</u>	<u>\$ 20,955</u>	<u>\$ 227,411</u>

VILLAGE OF BELLAIRE
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR FUNDS
YEAR ENDED FEBRUARY 28, 2006

	CEMETARY	BELLAIRE BUILDING AUTHORITY DEBT SERVICE	WATER UPGRADE DEBT SERVICE	SOCCER PARK	TOTAL
REVENUES					
Local grants	\$ 2,091	\$ -	\$ -	\$ 1,120	\$ 3,211
Charges for services	5,612	-	-	-	5,612
Rental income	-	18,610	-	1,535	20,145
Interest income	2,650	11	-	-	2,661
Total revenues	10,353	18,621	-	2,655	31,629
EXPENDITURES					
Cemetery	23,417	-	-	-	23,417
Other	-	1,350	-	1,700	3,050
Debt service:					
Principal Payment	-	10,000	4,000	-	14,000
Interest Payment	-	7,260	1,920	-	9,180
Total expenditures	23,417	18,610	5,920	1,700	49,647
Excess (deficiency) of revenues over expenditures	(13,064)	11	(5,920)	955	(18,018)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,000	-	5,920	-	15,920
Transfers out	-	-	(20,000)	-	(20,000)
Total other financing sources	10,000	-	(14,080)	-	(4,080)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(3,064)	11	(20,000)	955	(22,098)
Fund balance - beginning of year	4,453	1,023	44,000	-	49,476
Fund balance - end of year	\$ 1,389	\$ 1,034	\$ 24,000	\$ 955	\$ 27,378



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Jeffrey B. Cook, C.P.A.
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Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 29, 2006

To the President and Members of the Village
Council of the Village of Bellaire

We have audited the financial statements of the Village of Bellaire, Antrim County, Michigan as of and for the year ended February 28, 2006, and have issued our report thereon dated March 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Bellaire, Antrim County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

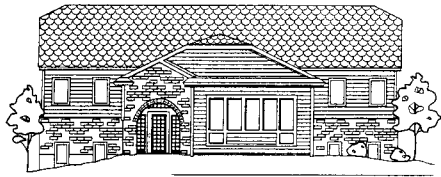
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Bellaire, Antrim County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Village Council, management, the United States Department of Rural Economic and Community Development. However, this report is a matter of public record and its distribution is not limited.

K. K. Cook, K. Miller & Alexander LLP

Keskine, Cook, Miller & Alexander LLP
Certified Public Accountants



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March 29, 2006

Village of Bellaire
P.O. Box 557
Bellaire, MI 49615

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LOCAL AUDIT & FINANCE DIV.

We have audited the financial statements of the Village of Bellaire for the year ended February 28, 2006, and have issued our report thereon dated March 29, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village of Bellaire. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Bellaire are described in the notes to the financial statements.

We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The Village of Bellaire's accounting records were well organized and we are happy to report that there were no difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the Village of Bellaire, we noted the following items:

- Forest Home Township reimburses the Village for ½ of the Village's operating loss in the Cemetery Fund. For the last three years, we have proposed a journal entry to the Village that recorded a receivable and revenue for ½ of the Cemetery's operating loss which effectively reduced the operating loss by 50%. The Village however, was taking that 50% of the operating loss and billing Forest Home Township instead of basing the bill on the entire operating loss.

As a result, the Village has underbilled Forest Home Township approximately \$9,867 over the last three years. We recommend that the Village explain this error to Forest Home Township and attempt to recuperate at least a portion of this receivable.

In addition, the Cemetery Fund continues to suffer from poor performance. The General Fund transferred \$10,000 to the Cemetery Fund and yet the Cemetery Fund still had a deficiency of revenue under expenditures of \$3,064, which reduced the Cemetery's fund balance to \$1,389. We recommend that the Village develop a strategic plan for the future of the Cemetery to ensure the vitality of the Cemetery for the future. In addition, we recommend that the Village analyze the current salary and wage allocation to the Cemetery Fund to ensure that the Cemetery is not being overcharged its share of expenses.

- In violation of the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended), the Village of Bellaire experienced a budget overexpenditure of \$1,951 in the Major Street Fund. The overexpenditure resulted because there was a \$9,959 allocation of employee fringe benefits to the Major Street Fund made during the audit. The allocation of employee fringe benefits to all of the funds is an annual journal entry made during your audit. To ensure that there are no budget overexpenditures in the future, we recommend that the Village review their expenditures as of February 28th of each year and analyze the total fringe benefit expenses to anticipate the amount of allocation to each fund that will be made during the audit.

We hope you find the above comments and recommendations useful. We are available to assist you in implementing these items should the need arise.

This information is intended solely for the information of the Village of Bellaire's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

K.K. Cook Miller & Alexander LLP

Keskine, Cook, Miller & Alexander LLP